

PAIDMENT SYSTEMS
STORED-VALUE CARDS

EXHIBIT

A

Gift Cards Cover New Territory

Some retailers try cross-marketing gift cards

Nordstrom isn't trying to be on the cutting edge of the stored-value-card movement. But the department store retailer is earning that reputation anyway.

Case in point: Nordstrom gift cards will soon be on the shelves of some 1,600 Safeway grocery stores around the country. The two retailers won't talk about the financial arrangements behind the deal. But it's clear that the Pleasanton, Calif.-based supermarket retailer will offer its shoppers something new. Meanwhile, the Seattle-based department store chain expands its exposure

with us before." White added that Safeway approached Nordstrom with the concept of the cooperative stored-value-card strategy.

The Nordstrom cards will be available in denominations of \$25, \$50 and \$100. The cards will be activated at Safeway checkouts, a feature that serves to guard against theft of the cards while they're on the shelves. "It's a function of having the right technology in place," White says. "Safeway cashiers have the ability to load the gift card so that our stores will know they have been activated."



Nordstrom gift cards will be sold at Safeway.

Nordstrom's foray into off-site stored-value-card marketing follows closely the introduction of its Teen Gift Card that includes a monthly activity summary to help track card purchases.

Whatever incremental sales Nordstrom receives from its expanded gift-card strategies would be a much-needed boost for the chain that has struggled of late.

Both sales and comp-store sales dropped in September, down 6.0% and 9.4%, respectively. The company has recently blamed the weak economy as a main factor in its decision to cut 2,500 jobs.

Meanwhile, the concept of buying a gift card at one retailer and redeeming it at a different retailer might gain additional momentum through a new program from Riverwoods, Ill.-based Discover Financial Services. The company last month unveiled a gift-card program that allows merchants to sell cards branded with the retailers' own marketing logo. The Discover merchant card is accepted wherever the Discover Card is

Gift Cards and Record Numbers

It's no coincidence the stored-value-card developments are taking place during the busy gift-giving season. A just-released survey from Sam Goody, a division of Minneapolis-based Musicland Group, shows why: Gift cards are almost as much a draw as the merchandise itself.

A Sam Goody survey of teen shoppers found gift cards rank neck-and-neck with video games as the chain's third most popular gift item, just behind movies and music, staples at the 635-store chain. Based on a recent survey of nearly 800 teens, reloadable gift cards were ranked fourth, just a few votes behind video games in terms of popularity. A wide gulf separated the top four categories and the categories of clothes, books and other.

Sam Goody reports that stored-value cards and teen shoppers are a lucrative combination. Sam Goody says it sold more than 2.2 million gift cards in the holiday shopping season when the chain first introduced them in 1999. Last year, the number of cards sold increased 5%, while the actual dollar amount spent on gift cards increased almost 9%. Plus, shoppers' spending per card increased 4% in 2000 over 1999.

and its reach to new customers.

Safeway shelves might also offer gift cards from more than one noncompeting retailer, but the grocery chain declined to comment about particulars except to confirm that Nordstrom cards will appear in its stores in the United States. Shoppers will begin seeing the Nordstrom cards at Safeway stores in early November in a program that will last through December, according to Nordstrom spokeswoman Brooke White.

"We'll see how it works," White says. "It allows us to offer added convenience to the customers and reach new customers who might not have shopped


accepted. The program was launched with infrastructure from Louisville, Ky.-based Stored Value Systems, a subsidiary of Comdata Corp.

The Discover gift cards will function at retailers' bricks-and-mortar and online stores and will be rechargeable. ■

PATENT

Attorney Docket No. 29488/36831A

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Michael Bleser et al.	)	I hereby certify that this paper is being hand
	)	delivered to the United States Patent and
Serial No.: 09/852,501	)	Trademark Office, Washington, D.C. 20231
	)	on this date:
Filed: May 10, 2001	)	<u>12-28-01</u>
)	
For: Method of Selling Giftcards)	
)	Paul Del Giudice
Group Art Unit: 2163)	Registration No. 28,788
)	
Examiner: to be assigned)	
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Received

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Technology Center 2100

**DECLARATION OF DAVID C. READ
IN SUPPORT OF PETITION TO MAKE SPECIAL**

Commissioner for Patents
Washington D.C. 20231

Sir:

1. I, David C. Read, declare that I am familiar with the disclosure and claims of the above-identified patent application, including new claims 12-18 prepared for submission as Preliminary Amendment A.

2. Safeway, Inc. is presently selling giftcards that are redeemable at Nordstroms store locations (hereinafter "the Nordstroms method" and "the Nordstroms giftcards") based upon my review of the article entitled "Gift Cards Cover New Territory", taken from the November, 2001 issue of Chain Store Age Magazine, which article is being submitted as Exhibit A accompanying the Petition to Make Special. Thus, this infringing method is presently in use and is not merely prospective.

3. Safeway, Inc. is also presently selling giftcards through it's Dominick's store locations that are redeemable at store locations of KB Toys (hereinafter "the KB Toys method" and "the KB Toys giftcards") based upon my review of a KB Toys giftcard purchased at Dominick's which indicates the KB Toys giftcard is redeemable at KB Toys store locations, and based upon my discussions with Michael Bleser, a co-inventor named on the above-identified patent application. Thus, this infringing method also is presently in use and is not merely prospective.

4. I have performed a rigid comparison of the infringing methods with the claims of the application and, in my opinion, at least claims 1, 2, and 3 are unquestionably infringed.

5. I have prepared the following claim chart comparing each and every element of claim 1 with the infringing Nordstroms and KB Toys methods presently in use. For ease of reference, paragraph identifiers have been added to the claims, and column and line identifiers have been added to the attached Exhibit A:

Claim 1	The Nordstroms Method (attached as Exhibit A); and The KB Toys Method
i) A method for selling a giftcard at a store location of a first retailer for use at a second retailer, the method comprising:	<p>The Nordstroms method involves giftcards available at Safeway store locations that can be used at Nordstrom locations. Exhibit A, col. 1, lines 6-9 and 23-26. See also Decl. of Bleser, ¶¶ 12 and 13.</p> <p>The KB Toys method involves giftcards available at Safeway store locations that can be used at a store location of a different retailer. See Decl. of Bleser, ¶¶ 6 and 7.</p>

ii) displaying giftcards in the store location of the first retailer;	<p>The Nordstroms method involves displaying the Nordstroms giftcards at the store location of the first retailer (Safeway). Exhibit A, col. 1, lines 6-9 and 23-26. See also Decl. of Bleser, ¶ 13.</p> <p>The KB Toys method involves displaying the KB Toys giftcards at the store location of the first retailer (Safeway). Decl. of Bleser, ¶ 8.</p>
iii) activating a giftcard upon receipt of a purchase amount from a customer;	<p>The Nordstroms method involves activating the giftcard upon receipt of a purchase amount from a customer. Exhibit A, col. 2, lines 7-8. See also Decl. of Bleser, ¶¶ 12 & 13.</p> <p>The KB Toys method involves activating the giftcard upon receipt of a purchase amount from a customer. See Decl. of Bleser, ¶ 9.</p>
iv) forwarding active giftcard information to a processor associated with the second retailer; and	<p>The Nordstroms method involves forwarding active giftcard information to a processor associated with the second retailer. Exhibit A, col. 2, lines 12-15. See also Decl. of Bleser, ¶¶ 12 & 13.</p> <p>The KB Toys method involves forwarding active giftcard information to a processor associated with the second retailer. Decl. of Bleser, ¶¶ 10 & 11.</p>
v) transferring proceeds from the first retailer to the second retailer, the proceeds including at least a portion of the purchase amount.	<p>Both the Nordstroms and KB Toys methods involve transferring proceeds from the first retailer to the second retailer, with the proceeds including at least a portion of the purchase amount. Decl. of Bleser, ¶ 10 & 11.</p>

6. The above element-by-element comparison unquestionably establishes that the Nordstroms and KB Toys Methods incorporate each and every step of claim 1. Safeway sells giftcards for use at Nordstroms (item i), Safeway displays the giftcards in Safeway store locations (item ii), and the giftcards are activated upon receipt of a purchase amount from a customer (item iii), all of which is evident on the face of the attached Exhibit A. The active giftcard information is forwarded to a processor associated with the

second retailer, as evidenced by the statement of Brook White, a Nordstrom spokeswoman (“Safeway cashiers have the ability to load the gift card so that our stores will know they have been activated.”) Exhibit A, col. 2, lines 12-15. Finally, as detailed in the attached Declaration of Michael Bleser, as with any stored value transaction, at least a portion of the purchase amount must be transferred to the entity eventually providing the goods or services (e.g., Nordstroms), or else there would be no business reason to enter into the “financial arrangements” in any event. Exhibit A, col. 1, lines 9-11, and Decl. of Bleser, ¶¶ 11 & 13. The KB Toys method also incorporates all of the claimed steps, as the only difference between the Nordstroms and KB Toys methods is the KB Toys giftcard is redeemable at store locations of more than one “second retailer” (e.g., any one of the seven “second retailers”). Therefore, for all of the reasons outlined above, the rigid comparison of the claimed method to the Nordstroms and KB Toys methods shows that each of the methods unquestionably infringe the method claimed by claim 1.

7. The Nordstroms method provides for revenue sharing between Safeway and Nordstroms, or else the parties would not enter into the “financial arrangements.” Exhibit A, col. 1, line 10, and Decl. of Bleser ¶ 13. Therefore, the Nordstroms method also unquestionably infringes claim 2, which depends from claim 1.

8. The KB Toys method provides for revenue sharing between Safeway and KB Toys. Decl. of Bleser ¶ 11. Therefore, the KB Toys method also unquestionably infringes claim 2, which depends from claim 1.

9. The Nordstroms giftcards are “available in denominations of \$25, \$50, and \$100.” Exhibit A, col. 2, lines 5-7. Similarly, the KB Toys giftcards are available in at

least a \$15 denomination. Decl. of Bleser, ¶ 14. Thus, the Nordstroms giftcards and the KB Toys giftcards each have a preset credit value. Therefore, the Nordstrom and KB Toys methods unquestionably infringe claim 3, which depends from claim 1.

10. I have also performed a rigid comparison of the Nordstroms method and the KB Toys method with claims 12, 14 and 17 from the Preliminary Amendment A submitted concurrently herewith and, in my opinion, the Nordstroms method and the KB Toys method unquestionably infringe those claims as well.

11. A careful and thorough search of the prior art has been performed. More specifically, the following areas were searched:

- (1) class 705, subclasses 14 and 26;
- (2) class 235, subclasses 380 and 381; and
- (3) class 700, subclasses 231, 232 and 233.

The art developed in the search has already been made of record in the application by virtue of the Information Disclosure Statement filed on August 1, 2001. Further, Applicant only recently has obtained an additional reference, namely U.S. Pat. No. 5,732,136, which is being made of record in the application by a Supplemental Information Disclosure Statement filed concurrently herewith.

In accordance with the fifth paragraph of M.P.E.P. § 708.02 (II), one copy of the

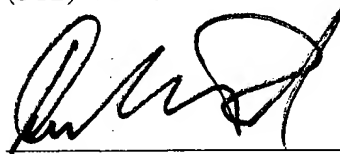
reference listed in the Supplemental Information Disclosure Statement is supplied herewith.

Accordingly, all references are of record.

Respectfully submitted,

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By:

A handwritten signature in black ink, appearing to be 'David C. Read', written over a horizontal line.


David C. Read
Reg. No.: 39,811
Attorney for Applicants

December 27, 2001

PATENT

Attorney Docket No. 29488/36831A

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Michael Bleser et al.	)	I hereby certify that this paper is being hand
	)	delivered to the United States Patent and
Serial No.: 09/852,501	)	Trademark Office, Washington, D.C. 20231
	)	on this date:
Filed: May 10, 2001)	
	)	<u>12 - 28</u> , 2001
For: Method of Selling Giftcards)	
)	
Group Art Unit: 2163	)	Paul Del Giudice
	)	Registration No. 28,788
Examiner: to be assigned	)	Attorney for Applicants
)	
)	

**DECLARATION OF MICHAEL BLESER
IN SUPPORT OF PETITION TO MAKE SPECIAL**

Commissioner for Patents
Washington D.C. 20231

Sir:

1. I, Michael Bleser, declare that I am a co-inventor of the subject matter disclosed and claimed in the above-identified application.

2. I have a Bachelor of Science degree in Finance from Indiana University, and a M.B.A. in Finance from DePaul University. I am currently employed with Walgreen Co., the assignee of the above-identified patent application, as a Manager of Business Development. Previously, I was employed by Anderson Consulting as a Systems Implementation Manager.

3. For the past two (2) years my duties have focused on giftcards/stored value cards, and I am familiar with the marketing, sales, activation, transaction processing, and record keeping of giftcard/stored value card transactions.

4. I am familiar with the disclosure and claims of the above-identified patent application.

5. I am aware that Safeway, Inc. is presently selling giftcards through it's Dominick's chain of store locations, which giftcards are redeemable at store locations of other retailers not affiliated with Safeway, Inc.

6. I have reviewed such KB Toys giftcard that was purchased at a Dominick's store location. A copy of the front of the KB Toys giftcard, which is shown attached to the giftcard packaging, and a copy of the back of the KB Toys giftcard packaging, is attached hereto.

7. As is evident from the front and the back of the KB Toys giftcard, the giftcard is redeemable at KB Toys store locations.

8. The giftcard I reviewed was purchased from a giftcard display at a Dominick's store location, and I am aware that such giftcards are available at additional Dominick's store locations.

9. On the front of the KB Toys giftcard it states "No value until activated by cashier." I am further aware that the purchased KB Toys giftcard was activated by the

cashier upon purchase, and I am further aware that all such giftcards must be activated by the sales clerk upon purchase as a security measure.

10. During the normal course of my duties I have had contact with at least two businesses, namely Value Link and Stored Value Systems, that provide processor services for giftcards/stored value cards. I have spoken with both of these businesses, and Stored Value Systems has confirmed that they are providing processor services to Safeway, Inc. for the attached KB Toys giftcard. Further, information relating to the activated giftcard must be forwarded to a processor associated with the second, redeeming retailer, based upon my knowledge of the giftcard industry. Otherwise, the second, redeeming retailer cannot know if a giftcard presented for redemption is valid.

11. I have confirmed with Stored Value Systems that they facilitate the transfer of proceeds between Safeway, Inc. and KB Toys as the redeeming retailer. I have also received confirmation from Stored Value Systems that the proceeds represent a percentage of the purchase price of the KB Toys giftcards. Further, I know from my background that, unless there were a provision to transfer at least a portion of the proceeds to the redeeming retailer, the second retailer would not receive any compensation when the giftcard is redeemed at the second retailer's store location.

12. I have reviewed the article entitled "Gift Cards Cover New Territory", taken from the November, 2001 issue of Chain Store Age Magazine. As outlined therein, Safeway, Inc. is selling giftcards for redemption at Nordstrom's.

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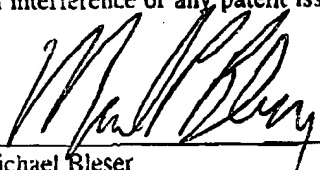
MARSHALL, GERSTEIN & BORUN

No. 1355 P. 5/7

13. As outlined in the above-identified article, Safeway also sells giftcards for use at Nordstroms, Safeway displays the giftcards in Safeway store locations, the giftcards are activated upon receipt of a purchase amount from a customer, and the active giftcard information is forwarded to a processor associated with the second retailer (in the words of the quoted Nordstroms spokeswoman, "Safeway cashiers have the ability to load the gift card so that our stores will know they have been activated."). Based upon my knowledge of the giftcard industry, in order for such a method to be economically viable at least a portion of the purchase amount must be transferred to the redeeming entity eventually providing the goods or services (e.g., Nordstroms). The Chain Store Age article also refers to "financial arrangements" between Safeway and Nordstroms.

14. Both the Nordstroms giftcards and the Safeway Giftcards may be purchased for a preset credit value.

15. I declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application involved in the above-identified interference or any patent issuing thereon.


Michael BleserDecember 27, 2001

K·B toys

\$15 The Perfect Gift

No value until activated by cashier



Gift Card

K·B toys
www.kbkids.com

K·B toys

Additional value can be added to this card at any K·B Toys location.

**Redeemable for merchandise only,
at any K·B Toys, K·B Toy Works,
K·B Toy Outlet,
K·B Toy Express store or
online at KBkids.com.**

No value until activated.

Your purchase of this gift card constitutes your acceptance of these terms. This card may be applied toward the cost of purchases made at participating K·B Toys stores. This gift card is not redeemable for cash, except where required by law, and will not be replaced if lost or stolen. Any customer service issue should be directed to K·B Toys stores.

Value can be added at any K·B Toys store. Not redeemable for cash, or used by law. Not replaced if lost or stolen. After 24 months of non-use, a service charge of \$1.50 per month will be deducted from the remaining balance, unless prohibited by law. All divisions are registered trademarks of KB Holdings. Copyright © 2000 K·B Toys of MA, Inc.

